

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

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EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Chris Rodman	President	2015
Brent Wilhelm	Vice President	2015
Lisa Drost	Board Member	2015
Amanda Lynch	Board Member	2017
Jay Stoltenberg	Board Member	2017

School Officials

Dr. Kevin Fiene	Superintendent
John Kraft	District Secretary/Treasurer

Gary E. Horton CPA

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Independent Auditor's Report

To the Board of Education of
East Sac County Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Sac County Community School District, Lake View, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Sac County Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 11 to the financial statements, East Sac County Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial

Reporting for Pensions . an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 11 and 40 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Sac County Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2016 on our consideration of East Sac County Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering East Sac County Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

East Sac County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,493,680 in fiscal year 2014 to \$10,101,876 in fiscal year 2015, while General Fund expenditures increased from \$9,422,215 in fiscal year 2014 to \$9,610,572 in fiscal year 2015. The District's General Fund balance increased from \$909,554 at the end of fiscal year 2014 to \$1,406,855 at the end of fiscal year 2015, a 55% increase

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of East Sac County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Sac County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which East Sac County Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-1 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/ inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the

difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.
 - **Private-Purpose Trust Fund .** The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net position at June 30, 2015 compared to the year ended June 30, 2014.

Figure A-2

Figure A-2

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 Not restated)	2014-2015
	\$	\$	\$	\$	\$	\$	%
Current and other assets	8,924,534	7,849,552	216,879	217,985	9,141,413	8,067,537	13%
Capital assets	4,915,139	5,237,669	105,059	135,274	5,020,198	5,372,943	-7%
Total assets	13,839,673	13,087,221	321,938	353,259	14,161,611	13,440,480	5%
Deferred outflow of resources	525,863	-	22,238	-	548,101	-	100%
Long-term liabilities	3,702,612	354,721	113,585	4,184	3,816,197	358,905	963%
Other liabilities	930,738	953,377	-	-	930,738	953,377	-2%
Total liabilities	4,633,350	1,308,098	113,585	4,184	4,746,935	1,312,282	262%
Deferred inflows of resources	5,673,229	4,306,319	55,654	8,790	5,723,693	4,315,109	33%
Net position:							
Net Investment in capital assets	4,915,139	5,106,796	105,059	135,274	5,020,198	5,242,070	-4%
Restricted	2,178,686	1,747,236	-	-	2,178,686	1,747,236	25%
Unrestricted	(3,034,868)	618,772	69,878	205,011	(2,964,990)	823,783	-460%
TOTAL NET POSITION	4,058,957	7,472,804	174,937	340,285	4,233,894	7,813,089	-46%

The District's total net position decreased by 46%, or \$3,579,195, from the prior year. The decrease is due to the increase in long-term liabilities as a result of the new reporting requirements for net pension liability (IPERS). The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$431,450 or 25% from the prior year. The increase was primarily a result of increased balances in PPEL, SAVE, and Management funds as the district continues to plan for the future needs of the district.

Unrestricted net position . the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . decreased

\$3,788,773, or 460%. This decrease was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$4,380,584 and \$142,013, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statements amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflow of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-3 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2015	2014(Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	1,097,287	903,049	262,979	264,393	1,360,266	1,167,442	17%
Operating grants & contributions	1,410,503	1,358,000	255,826	302,303	1,666,329	1,660,303	<1%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	4,308,363	3,799,410	-	-	4,308,363	3,799,410	13%
Income surtax	58,506	-	-	-	58,506	-	100%
Statewide sales, service & use tax	1,115,039	805,906	-	-	1,115,039	805,906	38%
Unrestricted state grants	3,952,330	4,033,025	-	-	3,952,330	4,033,025	-2%
Unrestricted investment earnings	4,045	1,075	433	5,317	4,478	6,392	-30%
Other revenue	30,980	42,984	-	-	30,980	42,984	-28%
Total Revenues	11,977,053	10,943,449	519,238	572,013	12,496,291	11,515,462	9%
Expenses:							
Instruction	8,237,089	6,904,643	-	-	8,237,089	6,904,643	19%
Support services	3,257,068	3,457,657	-	-	3,257,068	3,457,657	-6%
Non-instructional programs	-	-	542,573	559,330	804,523	559,330	44%
Other expenditures	804,523	583,956	-	-	542,573	583,956	-7%
Total expenses	12,298,680	10,946,256	542,573	559,330	12,841,253	11,505,586	12%
CHANGE IN NET POSITION	(321,627)	(2,807)	(23,335)	12,683	(344,962)	9,876	-3,593%
Net position beginning of year, restated	4,380,584	7,475,611	198,272	327,602	4,578,856	7,803,213	-41%
Net position end of year	4,058,957	7,472,804	174,937	340,285	4,233,894	7,813,089	-46%

In fiscal year 2015 property tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

For the year ended June 30, 2015

- The cost financed by users of the District's programs was \$1,097,287. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,410,503.
- The net cost of governmental activities was financed with \$5,481,908 in property and local other taxes and \$3,952,330 in unrestricted state grants.

Governmental Activities

Revenues for governmental activities were \$11,977,053 and expenses were \$12,298,680. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

Total and Net Cost of Governmental Activities

	Total Cost Of Services 2015	Total Cost of Services 2014	Net Cost of Services 2015	Net Cost Of Services 2014
	\$	\$	\$	\$
Instruction	8,237,089	6,904,643	6,163,237	5,039,156
Support Services	3,257,068	3,457,657	3,208,044	3,429,116
Non-instructional	-	-	-	-
Other Expenses	804,523	583,956	419,609	216,935
TOTAL	<u>12,12,298,680</u>	<u>10,946,256</u>	<u>9,790,890</u>	<u>8,685,207</u>

Business Type Activities

Revenues for business type activities were \$519,238 and expenses were \$542,573. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Similar to the prior year, for the year ended June 30, 2015, the District once again increased meal prices at the request of the Dept. of Nutrition.

INDIVIDUAL FUND ANALYSIS

As previously noted, East Sac County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,537,724.

Governmental Fund Highlights

- The District's General Fund balance increased from \$909,554 to \$1,406,855.
- The Capital Projects Fund balance increased as several expensive projects were recently completed and the district is saving to plan for future projects. The fiscal year 2015 ended with a balance of \$1,641,700.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$198,272 (restated) at June 30, 2014 to \$174,937 at June 30, 2015, representing a decrease of approximately 12%. The decrease in net position is attributable to increasing expenses and reporting of net pension liability. However, the District also reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

The District's receipts were \$611,013 more than budgeted receipts, a variance of 5%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures slightly higher than expected for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instructional and non-instructional functional areas due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-5) This represents a net decrease of 7% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$575,439.

Figure A-5

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2015	2014	2015	2014	2015	2014	2014-2015
	\$	\$	\$	\$	\$	\$	%
Land	96,319	96,319	-	-	96,319	96,319	0%
Buildings	2,491,528	2,635,505	-	-	2,491,528	2,635,505	-5%
Improvements	1,049,721	1,028,030	-	-	1,049,721	1,028,030	2%
Equipment & furniture	1,277,571	1,477,815	105,059	135,274	1,382,630	1,613,089	-14%
TOTAL	4,915,139	5,237,669	105,059	135,274	5,020,198	5,372,943	-7%

Long-Term Debt

At June 30, 2015 the District had \$3,836,197 in long-term debt outstanding (See Figure A-6). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-6
Outstanding Long-Term Obligations

	Total School District		Percentage
	2015	2014	Change
	\$	\$	2014-2015
Governmental activities:			
Capital leases	88,173	130,873	-33%
Net pension liability	3,342,453	4,873,175	-31%
Net OPEB liability	271,986	223,848	22%
Total	3,702,612	5,227,896	-29%
Business type activities:			
Net pension liability	108,355	157,978	-31%
Net OPEB liability	5,230	4,184	25%
	133,585	162,162	-18%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- East Sac County CSD is not expecting an increase in State Aid due to declining enrollment and small increases in allowable growth. The District continues to take every opportunity to cut expenses and look for additional sources of revenue.
- School financing is highly dependent upon student enrollment. The District's October 2015 enrollment decreased by 6 students. The district did not qualify for the budget guarantee for FY17 Budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Kraft, Business Manager, East Sac County Community School District, 801 Jackson Street, Lake View, Iowa, 51450.

BASIC FINANCIAL STATEMENTS

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	3,648,931	184,280	3,833,211
Receivables:			
Property tax:			
Delinquent	30,680	-	30,680
Succeeding year	4,398,514	-	4,398,514
Accounts	295,818	142	295,960
Due from other governments	550,591	22,890	573,481
Inventories	-	9,567	9,567
Capital assets, net of accumulated depreciation	4,915,139	105,059	5,020,198
Total assets	13,839,673	321,938	14,161,611
Deferred Outflows of Resources			
Pension related deferred outflows	525,863	22,238	548,101
Liabilities			
Accounts payable	66,483	-	66,483
Salaries and benefits payable	863,307	-	863,307
Accrued interest payable	948	-	948
Long-term liabilities:			
Portion due after one year:			
Capital leases	43,618	-	43,618
Portion due after one year:			
Capital leases	44,555	-	44,555
Net pension liability	3,342,453	108,355	3,450,808
Net OPEB liability	271,986	5,230	277,216
Total liabilities	4,633,350	113,585	4,746,935
Deferred inflows of resources			
Unavailable property tax revenue	4,398,514	-	4,398,514
Pension related deferred inflows	1,274,715	46,514	1,321,229
Other	-	9,140	9,140
Total deferred inflows of resources	5,673,229	55,654	5,728,883
Net position			
Net investment in capital assets	4,915,139	105,059	5,020,198
Restricted for:			
Categorical funding	47,817	-	47,817
Management levy	254,162	-	254,162
Physical plant and equipment levy	150,379	-	150,379
Student activities	235,007	-	235,007
School infrastructure	1,491,321	-	1,491,321
Unrestricted	(3,034,868)	69,878	(2,964,990)
Total net position	4,058,957	174,937	4,233,894

See notes to financial statements.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
	\$	\$	\$
Governmental activities:			
Instruction:			
Regular	5,791,682	806,179	737,402
Special	938,810	3,091	133,541
Other	1,506,597	255,834	137,805
	<u>8,237,089</u>	<u>1,065,104</u>	<u>1,008,748</u>
Support services:			
Student	157,740	-	-
Instructional staff	287,138	-	-
Administration	958,805	14,360	-
Operation and maintenance of plant	1,139,442	17,823	-
Transportation	713,943	-	16,841
	<u>3,257,068</u>	<u>32,183</u>	<u>16,841</u>
Other expenditures:			
Facilities acquisition	55,457	-	-
Long-term debt interest	1,768	-	-
AEA flowthrough	384,914	-	384,914
Loss on disposal of capital assets	137,253	-	-
Depreciation (unallocated)*	225,131	-	-
	<u>804,523</u>	<u>-</u>	<u>384,914</u>
Total governmental activities	<u>12,298,680</u>	<u>1,097,287</u>	<u>1,410,503</u>
Business type activities:			
Non-instructional programs:			
Food service operations	542,573	262,979	255,826
Total	<u>12,841,253</u>	<u>1,360,266</u>	<u>1,666,329</u>
General Revenues:			
Property taxes levied for:			
General purposes			
Capital outlay			
Income surtax			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			

Change in net position

Net position beginning of year (restated)

Net position end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(4,248,101)	-	(4,248,101)
(802,178)	-	(802,178)
(1,112,958)	-	(1,112,958)
(6,163,237)	-	(6,163,237)
(157,740)	-	(157,740)
(287,138)	-	(287,138)
(944,445)	-	(944,445)
(1,121,619)	-	(1,121,619)
(697,102)	-	(697,102)
(3,208,044)	-	(3,208,044)
(55,457)	-	(55,457)
(1,768)	-	(1,768)
-	-	-
(137,253)	-	(137,253)
(225,131)	-	(225,131)
(419,609)	-	(419,609)
(9,790,890)	-	(9,790,890)
-	(23,768)	(23,768)
(9,790,890)	(23,768)	(9,814,658)
4,188,411	-	4,188,411
119,952	-	119,952
58,506	-	58,506
1,115,039	-	1,115,039
3,952,330	-	3,952,330
4,045	433	4,478
30,980	-	30,980
9,469,263	433	9,469,696
(321,627)	(23,335)	(344,962)
4,380,584	198,272	4,578,856
4,058,957	174,937	4,233,894

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital	Nonmajor	Total
	\$	Projects	Governmental	\$
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	1,832,573	1,328,954	487,404	3,648,931
Receivables:				
Property tax:				
Delinquent	27,693	847	2,140	30,680
Succeeding year	3,975,776	122,739	299,999	4,398,514
Accounts	227,536	68,282	-	295,818
Due from other governments	306,974	243,617	-	550,591
Total assets	<u>6,370,552</u>	<u>1,764,439</u>	<u>789,543</u>	<u>8,924,534</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	66,108	-	375	66,483
Salaries and benefits payable	863,307	-	-	863,307
Total liabilities	<u>929,415</u>	<u>-</u>	<u>375</u>	<u>929,790</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,975,776	122,739	299,999	4,398,514
Income surtax	58,506	-	-	58,506
Total deferred inflows of resources	<u>4,034,282</u>	<u>122,739</u>	<u>299,999</u>	<u>4,457,020</u>
Fund balances:				
Restricted for:				
Categorical funding	47,817	-	-	47,817
Management levy	-	-	254,162	254,162
Student activities	-	-	235,007	235,007
School infrastructure	-	1,491,321	-	1,491,321
Physical plant and equipment	-	150,379	-	150,379
Unassigned	1,359,038	-	-	1,359,038
Total fund balances	<u>1,406,855</u>	<u>1,641,700</u>	<u>489,169</u>	<u>3,537,724</u>
Total liabilities, deferred inflows of resources and fund balances	<u>6,370,552</u>	<u>1,764,439</u>	<u>789,543</u>	<u>8,924,534</u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

		\$	
Total fund balances of governmental funds (Exhibit C)			3,537,724
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			4,915,139
Deferred income surtax			58,506
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.			(948)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources	525,863		
Deferred inflows of resources	<u>(1,274,715)</u>	(748,852)	
Long-term liabilities, including capital leases payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.			(88,173)
Long-term liabilities for other post employment benefits payable and net pension liability are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.			<u>(3,614,439)</u>
Net Position of governmental activities (Exhibit A)			<u><u>4,058,957</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital	Nonmajor	Total
	\$	Projects	Governmental	\$
		\$	\$	
Revenues:				
Local sources:				
Local tax	3,888,282	119,952	300,129	4,308,363
Tuition	643,168	-	-	643,168
Other	207,593	1,505	272,966	482,064
State sources	5,053,266	1,115,039	-	6,168,305
Federal sources	309,567	-	-	309,567
Total revenues	<u>10,101,876</u>	<u>1,236,496</u>	<u>573,095</u>	<u>11,911,467</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,490,113	386,011	16,147	4,892,271
Special	934,101	-	-	934,101
Other	1,229,562	-	274,942	1,504,504
	<u>6,653,776</u>	<u>386,011</u>	<u>291,089</u>	<u>7,330,876</u>
Support services:				
Student	157,442	-	-	157,442
Instructional staff	173,622	112,993	-	286,615
Administration	837,772	-	122,828	960,600
Operation and maintenance of plant	875,175	142,359	120,559	1,138,093
Transportation	527,871	85,291	-	613,162
	<u>2,571,882</u>	<u>340,643</u>	<u>243,387</u>	<u>3,155,912</u>
Other expenditures:				
Facilities acquisition	-	55,457	-	55,457
Long-term debt:				
Principal	-	-	42,700	42,700
Interest and fiscal charges	-	-	2,813	2,813
AEA flowthrough	384,914	-	-	384,914
	<u>384,914</u>	<u>55,457</u>	<u>45,513</u>	<u>485,884</u>
Total expenditures	<u>9,610,572</u>	<u>782,111</u>	<u>579,989</u>	<u>10,972,672</u>
Excess (deficiency) of revenues over (under) expenditures	491,304	454,385	(6,894)	938,795
Other financing sources (uses):				
Proceeds form long-term loans	-	1,083	-	1,083
Sales of materials and equipment	5,997	-	-	5,997
Transfers in	-	-	45,513	45,513
Transfers out	-	(45,513)	-	(45,513)
Total other financing sources (uses)	<u>5,997</u>	<u>(44,430)</u>	<u>45,513</u>	<u>7,080</u>
Change in fund balances	497,301	409,955	38,619	945,875
Fund balances beginning of year	<u>909,554</u>	<u>1,231,745</u>	<u>450,550</u>	<u>2,591,849</u>
Fund balances end of year	<u>1,406,855</u>	<u>1,641,700</u>	<u>489,169</u>	<u>3,537,724</u>

See notes to financial statements.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2015

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		945,875
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, gain on disposal of capital assets and depreciation expense in the current year are as follows:		
Expenditures for capital assets	368,441	
Loss on disposal of capital assets	(137,253)	
Depreciation expense	<u>(553,718)</u>	(322,530)
Certain delinquent property tax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		58,506
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:		
Repaid		42,700
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,045
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		502,131
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Pension expense	212,742	
Other postemployment benefits	<u>(48,138)</u>	164,604
Increase long-term liabilities in the Statement of Net Position.		<u>(1,713,958)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>(321,627)</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2015

	School Nutrition
	<u>\$</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	184,280
Accounts receivable	142
Due from other governments	22,890
Inventories	9,567
Total current assets	<u>216,879</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>105,059</u>
Total assets	<u>321,938</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>22,238</u>
Liabilities	
Current liabilities:	
Deferred revenue	<u>9,140</u>
Noncurrent liabilities:	
Net pension liability	108,355
Net OPEB liability	5,230
Total noncurrent liabilities	<u>113,585</u>
Total liabilities	<u>122,725</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>46,514</u>
Net position	
Investment in capital assets	105,059
Unrestricted	<u>69,878</u>
Total net position	<u><u>174,937</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2015

	School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>262,979</u>
Operating expenses:	
Non-instructional programs:	
Salaries and benefits	177,275
Benefits	31,345
Purchased services	291
Supplies	298,021
Depreciation	21,721
Other	13,920
Total operating expenses	<u>542,573</u>
Operating income (loss)	<u>(279,594)</u>
Non-operating revenues:	
State sources	4,886
Federal sources	250,940
Interest income	433
Total non-operating revenues	<u>256,259</u>
Change in net position	(23,335)
Net position beginning of year (restated)	<u>198,272</u>
Net position end of year	<u><u>174,937</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	263,274
Cash paid to employees for services	(216,956)
Cash paid to suppliers for goods or services	(274,009)
Net cash used by operating activities	<u>(227,691)</u>
Cash flows from non-capital financing activities:	
General Fund loan repayment	29,000
State grants received	4,886
Federal grants received	201,315
Net cash provided by non-capital financing activities	<u>235,201</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(5,010)</u>
Cash flows from investing activities:	
Interest on investments	<u>433</u>
Net increase (decrease) in cash and cash equivalents	2,933
Cash and cash equivalents at beginning of year	<u>181,347</u>
Cash and cash equivalents at end of year	<u><u>184,280</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(279,594)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	26,735
Depreciation	21,721
Decrease (increase) in inventories	(2,016)
Decrease (increase) in accounts receivable	(55)
(Decrease) increase in accounts payable	13,504
(Decrease) increase in deferred revenue	350
Decrease in net pension liability	(49,623)
Increase in deferred outflows of resources	(6,273)
Increase in deferred inflows of resources	46,514
(Decrease) increase in other postemployment benefits	<u>1,046</u>
Net cash used by operating activities	<u><u>(227,691)</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$26,735 of federal commodities.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

Private Purpose Trust Scholarship
<u> </u>
\$

Assets

Cash, cash equivalents and pooled investments

327,638

Liabilities-**Net Position**

Reserved for scholarships

327,638

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	6,250
Interest	<u>581</u>
Total additions	<u>6,831</u>
Deductions	
Support services:	
Scholarships awarded	<u>18,992</u>
Change in net position	(12,161)
Net position beginning of year	<u>339,799</u>
Net position end of year	<u><u>327,638</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

Board of Education of East Sac County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Wall Lake, Lake View, Auburn, and Sac City Iowa and the predominately agricultural territory in a portion of Sac, Carroll and Crawford Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, East Sac County Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be

susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year

becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-50
Improvements other than buildings	20
Intangibles	3-10
Furniture and equipment	3-12

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of

unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instructional and non-instructional functions.

2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$31,663 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

3. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	96,319	-	-	96,319
Capital assets being depreciated:				
Buildings	7,250,034	-	-	7,250,034
Improvements other than buildings	2,142,818	-	(102,845)	2,245,663
Furniture and equipment	2,896,178	368,441	150,472	3,114,147
Total capital assets being deprec.	12,289,030	368,441	47,627	12,609,844
Less accumulated depreciation for:				
Buildings	4,614,529	143,977	-	4,758,506
Improvements other than buildings	1,114,788	81,154	-	1,195,942
Furniture and equipment	1,418,363	328,587	(89,626)	1,836,576
Total accumulated depreciation	7,147,680	553,718	(89,626)	7,791,024
Total capital assets being depreciated, net	5,141,350	(185,277)	137,253	4,818,820
Governmental activities capital assets, net	5,237,669	(185,277)	137,253	4,915,139
Business type activities:				
Furniture and equipment	431,722	5,010	14,732	422,000
Less accumulated depreciation	296,448	21,721	1,228	316,941
Business type activities capital assets, net	135,274	(16,711)	13,504	105,059

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	163,494
Support services:	
Student Support	14,786
Administration services	8,066
Operation and maintenance of plant services	15,182
Transportation	127,059
	<u>328,587</u>
Unallocated depreciation	<u>225,131</u>
Total depreciation expense . governmental activities	<u>553,718</u>
Business type activities:	
Food services	<u>21,721</u>

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental, Debt Service	Capital Projects	45,513

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Capital Leases	130,873	-	42,700	88,173	43,618
Net Pension liability	4,873,175	-	1,530,722	3,342,453	-
Net OPEB liability	223,848	48,138	-	271,986	-
Total	<u>5,227,896</u>	<u>48,138</u>	<u>1,573,422</u>	<u>3,702,612</u>	<u>43,618</u>
Business type activities:					
Net Pension liability	157,978	-	49,623	108,355	
Net OPEB liability	4,184	1,046	-	5,230	-
Total	<u>162,162</u>	<u>1,046</u>	<u>49,623</u>	<u>133,585</u>	-

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2015.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2016	45,513
	2017	45,514
Minimum Lease Payments		91,027
Less Amount Representing Interest		2,854
Present Value of Minimum Lease Payments		<u>88,173</u>

6. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 nor at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement. Death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$518,409.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$3,450,808 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.087012 percent, which was a decrease of 0.000613 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$219,638. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	37,504	-
Changes in assumptions	152,292	-
Net difference between projected and actual earnings on pension plan investments	-	1,316,039
Change in proportion and differences between District contributions and proportionate share of contributions	(165,294)	-
District contributions subsequent to the measurement date	518,409	-
Total	<u>542,911</u>	<u>1,316,039</u>

\$518,409 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
	\$
2016	(323,285)
2017	(323,285)
2018	(323,285)
2019	(323,285)
2020	1,603
Total	<u>(1,291,537)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100</u>	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's

fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%) \$	Discount Rate (7.5%) \$	1% Increase (8.5%) \$
District proportionate share of the net pension liability	6,520,205	3,450,808	859,919

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions.

7. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	77,444
Interest on net OPEB obligation	5,701
Adjustment to annual required contribution	(17,704)
Annual OPEB cost	65,441
Contributions made	(16,257)
Increase in net OPEB obligation	49,184
Net OPEB obligation beginning of year	228,032
Net OPEB obligation end of year	277,216

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2014. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$16,257 to the medical plan. Plan members eligible for benefits contributed \$80,123, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$	%	\$
June 30, 2012	78,899	7.51	72,977
June 30, 2013	79,506	6.14	147,599
June 30, 2014	86,501	7.01	228,032
June 30, 2015	65,441	24.84	277,216

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$574,679, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$574,679. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,300,000, and the ratio of the UAAL to covered payroll was 13.4%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the Entry Age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000.

The UAAL is being amortized over 30 years.

8. Risk Management

East Sac County Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$384,914 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
	\$
Early literacy	5,039
Preschool	42,778
	<u>47,817</u>

11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	7,472,804	340,285
Net pension liability at June 30, 2014	(4,873,175)	(157,978)
Deferred outflows of resources		
Related to contributions made after the June 30, 2013 measurement date	492,481	15,965
Net position July 1, 2014, as restated	<u>3,092,110</u>	<u>198,272</u>

REQUIRED SUPPLEMENTARY INFORMATION

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	\$	\$	\$	Original \$	Final \$	\$
Revenues:						
Local sources	5,433,595	263,412	5,697,007	6,144,296	6,144,296	(447,289)
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	6,168,305	4,886	6,173,191	5,140,396	5,140,396	1,032,795
Federal sources	309,567	250,940	560,507	530,000	530,000	30,507
Total revenues:	<u>11,911,467</u>	<u>519,238</u>	<u>12,430,705</u>	<u>11,819,692</u>	<u>11,819,692</u>	<u>611,013</u>
Expenditures/Expenses:						
Instruction	7,330,876	-	7,330,876	7,320,000	7,320,000	(10,876)
Support services	3,155,912	-	3,155,912	3,925,000	3,925,000	769,088
Non-instructional programs	-	542,573	542,573	535,000	535,000	(7,573)
Other expenditures	485,884	-	485,884	999,296	999,296	513,412
Total expenditures/expenses	<u>10,972,672</u>	<u>542,573</u>	<u>11,515,245</u>	<u>12,779,296</u>	<u>12,779,296</u>	<u>1,264,051</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	938,795	(23,335)	915,460	(959,604)	(959,604)	1,875,064
Other financing sources (uses) net	<u>7,080</u>	<u>-</u>	<u>7,080</u>	<u>-</u>	<u>-</u>	<u>7,080</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	945,875	(23,335)	922,540	(959,604)	(959,604)	1,882,144
Balance beginning of year (restated)	<u>2,591,849</u>	<u>198,272</u>	<u>2,790,121</u>	<u>2,288,105</u>	<u>2,288,105</u>	<u>502,016</u>
Balance end of year	<u><u>3,537,724</u></u>	<u><u>174,937</u></u>	<u><u>3,712,661</u></u>	<u><u>1,328,501</u></u>	<u><u>1,328,501</u></u>	<u><u>2,384,160</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2015, expenditures in the instructional and non-instructional functions exceeded the amounts budgeted.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.087012%
District's proportionate share of the net pension liability	3,450,808
District's covered-employee payroll	5,805,253
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.44%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System Last 4 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	\$	\$	\$	\$
Statutorily required contribution	518,409	508,446	498,268	437,267
Contributions in relation to the statutorily required contribution	<u>518,409</u>	<u>508,446</u>	<u>498,268</u>	<u>437,267</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	5,805,253	5,693,683	5,747,034	5,418,423
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2012	July 1, 2011	-	608,500	608,500	0.0%	4,700,000	12.9%
2013	July 1, 2011	-	608,459	608,459	0.0%	4,350,000	14.0%
2014	July 1, 2011	-	574,462	574,462	0.0%	4,250,000	13.5%
2015	July 1, 2014	-	574,679	574,679	0.0%	4,300,000	13.4%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

Assets	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	252,022	235,382	-	487,404
Receivables:				
Property tax:				
Delinquent	2,140	-	-	2,140
Succeeding year	299,999	-	-	299,999
Total assets	554,161	235,382	-	789,543
Liabilities, Deferred Inflows of Resources & Fund Balances				
Liabilities:				
Accounts payable	-	375	-	375
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	299,999	-	-	299,999
Fund balances:				
Restricted for:				
Management levy purposes	254,162	-	-	254,162
Student activities	-	235,007	-	235,007
Total fund balances	254,162	235,007	-	489,169
Total liabilities, deferred inflows of resources and fund balances	554,161	235,382	-	789,543

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2015

	Special Revenue Funds		Debt	
	Management	Student	Service	Total
	Levy	Activity		
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	300,129	-	-	300,129
Other	16,842	256,124	-	272,966
Total revenues	<u>316,971</u>	<u>256,124</u>	<u>-</u>	<u>573,095</u>
Expenditures:				
Current:				
Instruction:				
Regular	16,147	-	-	16,147
Other	-	274,942	-	274,942
Support services:				
Administration	122,828	-	-	122,828
Operation and maintenance of plant	120,559	-	-	120,559
Other expenditures:				
Long-term debt:				
Principal	-	-	42,700	42,700
Interest and fiscal charges	-	-	2,813	2,813
Total expenditures	<u>259,534</u>	<u>274,942</u>	<u>45,513</u>	<u>579,989</u>
Excess (deficiency) of revenues over (under) expenditures	57,437	(18,818)	(45,513)	(6,894)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>45,513</u>	<u>45,513</u>
Change in fund balances	57,437	(18,818)	-	38,619
Fund balances beginning of year	<u>196,725</u>	<u>253,825</u>	<u>-</u>	<u>450,550</u>
Fund balances end of year	<u><u>254,162</u></u>	<u><u>235,007</u></u>	<u><u>-</u></u>	<u><u>489,169</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Project Accounts

June 30, 2015

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	1,179,658	149,296	1,328,954
Receivables:			
Property tax:			
Delinquent	-	847	847
Succeeding year	-	122,739	122,739
Accounts	68,046	236	68,282
Due from other governments	243,617	-	243,617
Total assets	1,491,321	273,118	1,764,439
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	122,739	122,739
Fund balances:			
Restricted for:			
School infrastructure	1,491,321	-	1,491,321
Physical plant and equipment	-	150,379	150,379
Total fund balances	1,491,321	150,379	1,641,700
Total liabilities, deferred inflows of resources and fund balances	1,491,321	273,118	1,764,439

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	119,952	119,952
Other	1,324	181	1,505
State sources	1,115,039	-	1,115,039
Total revenues	<u>1,116,363</u>	<u>120,133</u>	<u>1,236,496</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	386,011	-	386,011
Support services:			
Instructional staff services	112,993	-	112,993
Operation and maintenance of plant	117,884	24,475	142,359
Transportation services	85,291	-	85,291
Other expenditures:			
Facilities acquisition	15,607	39,850	55,457
Total expenditures	<u>717,786</u>	<u>64,325</u>	<u>782,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>398,577</u>	<u>55,808</u>	<u>454,385</u>
Other financing sources (uses):			
Proceeds from long-term loans	-	1,083	1,083
Transfers out	(45,513)	-	(45,513)
Total other financing sources (uses)	<u>(45,513)</u>	<u>1,083</u>	<u>(44,430)</u>
Change in fund balances	353,064	56,891	409,955
Fund balances beginning of year	<u>1,138,257</u>	<u>93,488</u>	<u>1,231,745</u>
Fund balances end of year	<u><u>1,491,321</u></u>	<u><u>150,379</u></u>	<u><u>1,641,700</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Yearbook	1,712	14,019	9,248	-	6,483
Student council	2,167	2,389	3,746	-	810
MS student council	6,993	1,124	707	-	7,410
Cheerleading	547	20	430	-	137
Co-op and greenthumb	31,620	18,227	21,409	(10,000)	18,438
FFA	5,292	50,172	56,531	10,000	8,933
FCCLA	15,410	2,699	4,727	4,870	18,252
Mock trial	-	-	150	150	-
Quiz bowl	85	-	140	55	-
Thespians	1,812	1,416	1,444	-	1,784
National Honor Society	47	-	1,315	1,268	-
Drill team	3,147	706	1,866	-	1,987
Baseball	283	7,240	9,762	2,239	-
Athletics	3,645	17,285	8,226	(11,000)	1,704
Softball	60	11,804	14,760	6,833	3,937
Basketball	14,766	9,003	9,225	(10,314)	4,230
Football	3,369	22,058	24,006	-	1,421
Track	1	8,553	15,139	6,959	374
Golf	21	859	4,015	3,135	-
Volleyball	7	8,676	10,215	1,532	-
Wrestling	610	1,259	5,419	3,550	-
Weightlifting	66	-	-	-	66
Class of 2018	50	-	-	-	50
Class of 2011	1,834	-	-	-	1,834
Class of 2012	829	-	210	-	619
Class of 2014	216	2,746	820	-	2,142
Class of 2015	1,910	-	1,518	-	392
Class of 2016	308	6,679	6,279	1,032	1,740
Class of 2017	-	-	-	200	200
Class of 2020	4	-	-	-	4
Band	98	-	1,093	995	-
Chorus	1,214	-	93	-	1,121
Occupational child care	661	300	114	-	847
Hall of pride	1,765	-	-	-	1,765
Chicago trip	659	25,785	26,176	-	268
Elementary activities	9,153	368	663	-	8,858
Middle school vending	8,017	11,552	6,898	-	12,671
Concessions	100	13,832	8,962	(4,870)	100
Concession maintenance	2,284	-	-	-	2,284

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Softball concessions	8,231	6,601	6,456	(6,833)	1,543
Baseball concessions	346	-	-	-	346
Industrial tech. mass production	1,363	301	434	-	1,230
Robotics club	354	942	2,727	1,431	-
	<u>131,056</u>	<u>246,615</u>	<u>264,923</u>	<u>1,232</u>	<u>113,980</u>
Sac City Center					
Unreserved activity account	98,615	1,422	375	(1,232)	98,430
PBSI/Pride	39	-	702	663	-
Elementary student council	2,925	-	-	(663)	2,262
Drama and speech	12,428	-	-	-	12,428
Elementary	5,290	5,630	6,477	-	4,443
Elementary pop machine	1,986	837	878	-	1,945
Middle school activities	25	-	-	-	25
Watch DOGS	1,461	1,620	1,587	-	1,494
	<u>122,769</u>	<u>9,509</u>	<u>10,019</u>	<u>(1,232)</u>	<u>121,027</u>
Total	<u><u>253,825</u></u>	<u><u>256,124</u></u>	<u><u>274,942</u></u>	<u><u>-</u></u>	<u><u>235,007</u></u>

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	East Sac County				Combined Sac and Wall Lake View Auburn Districts					
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	4,308,363	3,799,410	4,144,672	3,834,594	4,195,556	4,177,472	3,681,373	3,445,821	3,574,870	3,432,553
Tuition	643,168	432,238	558,651	472,462	1,262,883	1,235,283	376,118	1,023,383	259,097	287,258
Other	482,064	514,870	594,091	551,119	614,330	1,414,721	1,518,285	1,580,297	682,799	561,842
Intermediate sources	-	-	46,254	-	5,353	-	1,975	15,671	-	-
State sources	6,168,305	5,896,311	4,878,994	5,102,685	4,718,669	3,940,626	4,884,344	4,555,024	4,309,111	4,255,263
Federal sources	309,567	300,620	287,389	406,669	698,066	986,726	413,716	295,847	358,554	512,248
Total revenues	11,911,467	10,943,449	10,510,051	10,367,529	11,494,857	11,754,828	10,875,811	10,916,043	9,184,431	9,049,164
Expenditures:										
Instruction:										
Regular	4,892,271	4,766,870	4,935,403	4,666,189	4,207,012	4,396,064	5,287,059	6,162,346	4,378,427	4,016,335
Special	934,101	924,659	808,451	815,776	634,226	600,123	666,086	580,816	527,358	708,251
Other	1,504,504	1,435,579	1,412,657	1,340,482	2,415,729	2,828,562	1,039,027	787,414	907,446	901,764
Support services:										
Student	157,442	140,786	148,770	153,569	126,251	149,024	107,982	110,083	124,610	113,105
Instructional staff	286,615	328,741	326,059	376,138	179,135	134,458	110,159	151,073	158,360	181,007
Administration	960,600	1,029,477	988,464	959,057	844,181	919,369	865,263	979,885	897,147	909,990
Operation and maintenance	1,138,093	1,377,513	1,345,242	1,139,031	1,073,853	1,007,844	946,457	1,014,688	927,086	819,050
Transportation	613,162	930,649	614,154	577,179	516,080	479,070	519,805	514,624	431,518	503,083
Non-instructional programs	-	-	-	-	-	1,502	3,045	1,009	17,092	5,759
Other expenditures:										
Facilities acquisition	55,457	808	22,607	454,081	1,224,338	483,830	405,562	632,739	503,364	298,529
Long-term debt:										
Principal	45,513	45,513	-	-	-	-	-	-	8,932	8,906
Interest and other charges	-	-	-	-	-	-	-	-	1,310	4,750
AEA flowthrough	384,914	367,021	353,179	347,234	390,082	376,610	347,291	330,335	320,683	311,222
Total expenditures	10,972,672	11,347,616	10,954,986	10,828,736	11,610,887	11,376,456	10,297,736	11,265,012	9,203,333	8,781,751

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
East Sac County Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of East Sac County Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Sac County Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Sac County Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Sac County Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Responses as items 15-I-A, I5-I-B and 15-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Sac County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

East Sac County Community School District's Responses to the Findings

East Sac County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. East Sac County Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Sac County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 23, 2016

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- 15-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, payroll processing, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

- 15-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

- 15-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements (continued):

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- 15-II-A Certified Budget: Expenditures for the year ended June 30, 2015, exceeded the certified budget amounts budgeted in the instructional and non-instructional functions.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

- 15-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 15-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- 15-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
		\$
Lisa Drost, Board Member, Part owner of Albrecht Oil	Fuel	13,175

The above transactions appear to be conflicts of interest. Business with District officials is a conflict of interest if bids are not taken or if the total amount exceeds \$2,500.

Recommendation: The District should consult legal council regarding this matter.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

- 15-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- 15-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

- 15-II-G Certified Enrollment: The basic enrollment data certified to the Department of Education was overstated by 2.22 students.

Recommendation: The District should review its control procedures to ensure accurate counts in the future.

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

15-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

15-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

15-II-J Certified Annual Report (CAR): The Certified Annual Report was certified timely to the Iowa Department of Education.

15-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to administrative rules, categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting. We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

District Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

15-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

EAST SAC COUNTY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

	\$	\$
Beginning balance		1,138,257
Revenues/transfers in:		
Other	1,324	
Statewide sales, services and use tax revenue	<u>1,115,039</u>	<u>1,116,363</u>
Expenditures/transfers out:		
Transfer to debt service	45,513	
School infrastructure	15,607	
Equipment	<u>702,179</u>	<u>763,299</u>
Ending balance		<u><u>1,491,321</u></u>